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Message Text

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17
ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 OPIC-12 SP-03 CIEP-03

OMB-01 NSC-07 SS-20 STR-08 CEA-02 IO-14 L-03 EUR-25

DRC-01 /164 W
---------- 011256
R 270230Z JUL 74
FM AMEMBASSY TAIPEI
TO SECSTATE WASHDC 2475
USDOC WASHDC
INFO AMCONSUL HONG KONG

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DEPT. PASS EXIM BANK FOR JOHN CLARK, VICE PRESIDENT

HONG KONG FOR RAND

E.O. 11652: N/A
TAGS: EFIN, TW
SUBJECT: EXIM LOAN FOR CHINA STEEL CORPORATION

REF: TAIPEI 4447

1. WILLIAM CHAO, PRESIDENT, CHINA STEEL CORP. (SCS) CALLED ON ECONCOUNS JULY 26 TO INFORM EMBASSY OF HIS IMMINENT TRIP TO U.S. CHAO DEPARTS JULY 28 AND EXPECTS TO ARRIVE IN WASHINGTON JULY 30. HE AND MARTIN WANG OF THE ROC EMBASSY HOPE TO CALL ON EXIM DIRECTORS JULY 31 OR AUGUST 1 IN EFFORT TO RESOLVE REMAINING PROBLEMS AND FINALIZE AGREEMENT.

2. CHAO REQUESTED THAT EMBASSY WRITE A STRONG LETTER TO MR. CASEY IN CSC'S BEHALF. IT WAS POINTED OUT TO CHAO THAT EMBASSY ALREADY HAS MADE ITS CONCERN KNOWN
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TO EXIM BANK. CHAO MAY BRING LETTER FROM MINISTER OF

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ECONOMIC AFFAIRS, Y.S. SUN, ADDRESSED TO MR. CASEY
SIMILAR TO THE LETTER SUN WROTE TO MARTIN WANG OF
ROC EMBASSY ON JULY 25. TEXT OF LETTER FOLLOWS:
"DEAR MARTIN: THE CHINA STEEL CORP. (CSC) HAS APPLIED
TO THE EXPORT AND IMPORT BANK OF U.S. A. (EXIM) FOR
LOAN CREDITS AGGREGATING US$284 MILLION WITH THE
FOLLOWING BREAKDOWN:

STATUS
1ST APPLICATION OF LOAN PRELIMINARILY COMMITTED BY EXIM
CREDIT OF US$150 M UNDER 10-45-22.5-22.5 ARRANGE-
MENT WITH EXIM EXPOSURE OF 90
PERCENT OF THE LOAN PACKAGE.

2ND APPLICATION OF LOAN PENDING EXIM COMMITMENT
REDIT OF US$134M

CSC WITH THE ASSISTANCE OF USS ENGINEERS AND CON-
SULTANTS INC (CSC'S ENGINEERS) HAS DISCUSSED WITH
EXIM FOR SEVERAL TIMES AT WASHINGTON D.C. FOR SETTLE-
MENT OF SOME OF THE OUTSTANDING PROBLEMS RAISED BY
EXIM IN CONNECTION WITH OVERALL FINANCING PLAN FOR
CSC'S INTEGRATED STEEL MILL PROJECT.
UP TO NOW, EXIM LOOKS LIKE BEING NOT SATISFIED WITH
THE INFORMATION FURNISHED BY CSC THAT CSC CAN RAISE
ALL THE FUNDS NECESSARY TO INSTALL ITS PLANT WITH AN
INITIAL CAPACITY OF 1.5 MILLION TON A YEAR. TABULATED
BELOW ARE THE SOURCES OF FUND THAT IS NEEDED TO MEET
THE FINANCIAL REQUIREMENT OF CSC'S PROJECT.

FUND SOURCES ARRANGEMENT UNDERTAKEN

1. EXIM PACKAGE LOAN PENDING EXIM'S FINAL
DIRECT LOAN 113.6M COMMITMENT
PEFCO 56.8M
BOA 56.8M

2. EURO-DOLLAR LOAN 148.1M LOAN AGREEMENT CONCLUDED WITH THE
CONTINENTAL BANK OF U.S.A. FOR
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25.0M LOAN. THE CONTINENTAL BANK
ALSO OFFERED FOR ADDITIONAL LOAN
OF 56.8 M. LOAN AGREEMENT SETTLED WITH
PITTS. NATIONAL BANK FOR 5.0 M LOAN.
THE BALANCE OF 61.3M ARE BEING ARRANGED

WITH OTHER AMERICAN BANKS

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3. JAPANESE SUPPLIER JCS IS BEING ARRANGED BY
CREDIT 40.5M JAPANESE MANUFACTURERS.

4. EXPORT CREDIT GUARANTEE ECGD LOAN IN STERLING POUND EQUIVA-
DEPT. (ECGD) LOAN 10.0M LENT TO US$10.0M HAS BEEN GRANTED.
A LOAN AGREEMENT TO BE SIGNED WITH
LAZARD BRS.

5. CENTRAL BANK OF CHINA COMMITTED
(CBC) LOAN 66.6M

6. SAFED LOAN 18.0M COMMITTED AND LOAN AGREEMENT CONCLUDED

7. EQUITY 280.0M BEING RAISED IN LOT

TOTAL 790.4M

CSC'S PROJECT IS ONE OF ROC MAJOR CONSTRUCTION PROJECTS
NOW UNDERTAKEN. CSC'S PROJECT TO BUILD A 1.5 MILLION TON A
YEAR PLANT IS NOW IN FULL SWING. ORDER PLACED FOR THEIR MAJOR
PROCUREMENTS IS OVER 65 PERCENT IN VALUE AS AGAINST
THEIR BUDGET. THE CONSTRUCTION AT THEIR PLANT SITE IS IN FULL
SWING. THE COMMISSIONING OF THE WHOLE PLANT IS SCHEDULED TO TAKE
PLACE BY THE END OF 1977.

THE GOVERNMENT OF ROC GIVES FULL SUPPORT TO CSC'S PRO-
JECT IN ORDER TO ASSIST THEM COMPLETE THEIR JOB AT THE
TARGET DATE. WITH RESPECT TO THEIR FINANCIAL REQUIRE-
MENT FOR BUILDING THE STEEL MILL, THE GOVERMENT WILL
BACK UP THEM BY PROVIDING THE FUND (INCLUDING EQUITY
AND LOAN) NECESSARY FOR THE PROJECT, THAT CSC CAN NOT
RAISE DURING THE TIME WHEN THE MONEY MARKET IS TIGHT.
PLEASE CONTACT EXIM'S TOP MANAGEMENT AND EXPLAIN TO
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THEM THE INTENT OF ROC GOVERNMENT TO FULLY SUPPORT
CSC'S PROJECT BY ALL MEANS."

3. CHAO SHOWED EMBASSY A COPY OF CONTRACTS FOR
FOREIGN PROCUREMENT CONCLUDED AS OF JULY 23, 1974.
CONTRACTS WITH U.S. SUPPLIERS WERE SIGNED AFTER EXIM
GRANTED CSC THE PRELIMINARY COMMITMENT (74-2405) ON
SEPT. 26, 1973. THE DETAILS ARE BEING SENT BY SEPTEL
BUT ROUGH TOTALS ARE US$148 MILLION FROM THE U.S. (INCLUDES
US$19 MILLION FOR THE ENGINEERING BY UEC), US$15 MILLION
FROM JAPAN, US$9 MILLION FROM THE U.S.K.M US$79 MILLION
FROM GERMANY AND US$267,000 FROM OTHER EUROPEAN COUNTRIES. CHAO
STATED THAT MUCH OF THE U.S. PROCUREMENT STILL COULD BE
SWITCHED TO OTHER SOURCES BUT THIS NATURALLY WOULD CAUSE
DELAYS AND OTHER PROBLEMS. CHAO ADDED THAT CSC MAY BE

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FORCED TO SWITCH IF EXIM DOES NOT HONOR ITS TERMS IN ITS P/C.
HE SAID (PRESUMABLY REFERRING TO ACTION SINCE ROC DROPPED
VOEST PLAN) THAT IT WAS THE COMBINED URGING BY THE EMBASSY,
USDOC AND EXIM BANK THAT CAUSED CSC TO CHANGE FROM EUROPEAN TO US
PROCUREMENT AND NOW THE USG SEEMS TO BE RENEGING ON ITS
COMMITMENT.
UNGER

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Message Attributes

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Current Classification: UNCLASSIFIED
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Draft Date: 27 JUL 1974
Decaption Date: 01 JAN 1960
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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: kelleyw0
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
Disposition Event:
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TAGS: EFIN, TW, XMB, CHINA STEEL CORPORATION, CSC-1, (CHAO, WILLIAM)
To: STATE COM
Type: TE
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